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Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop Code 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

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JUL - 3 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

RE: CC Docket No. 97-149, In the Matter of 1997 Annual Access Tariff Filings

AAD 97-77, Pacific Bell Petition for Expedited Waiver of Section 36.380 of the
Commission's Rules

Dear Mr. Caton:

Yesterday, July 3, 1997, Ms. Marilyn Brackett and Mr. Steve Ellis of Pacific Bell, and the undersigned representing SBC Communications, Inc., spoke via conference call with Mr. Chuck Needy, Accounting and Audits Division Staff, and Ms. Cindy Schieber, Competitive Safeguards Branch, regarding some questions the FCC had with respect to Pacific Bell's third party billing practices. A synopsis of the conversation is attached.

Please include this letter and attachment in the record of these proceedings in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Acknowledgement and date of receipt of this transmittal are requested. A duplicate transmittal letter is attached for this purpose.

Please contact me on (202) 383-6424 if you have any questions concerning this matter.

Respectfully submitted,

Sheryl L. Herauf
Director, Federal Regulatory Relations

Attachment

cc: Mr. Chuck Needy, Accounting and Audits Division
Ms. Cindy Schieber, Competitive Safeguards Branch

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PACIFIC BELL THIRD PARTY BILLING

Pacific Bell offers two basic platforms of billing services to third parties:

- 1) Message billing
- 2) Invoice billing

Message Billing occurs when the interexchange carrier captures the usage, rates the call, and then forwards the rated message to Pacific Bell for accumulation and inclusion in the end user's monthly bill. IXC rated messages are transmitted to Pacific Bell on a daily or weekly basis (depending upon volume), and are then read and saved by Pacific for later inclusion in the monthly bill.

Message billing is done for smaller IXCs on a regular basis (e.g., for presubscribed customers), and for all carriers (including AT&T, MCI, and Sprint) on a casual billing, or dial-around, basis. Pacific Bell charges for this service by bill rendered and message processed. Messages are counted at the time of end user bill preparation, and are identified as being intrastate or interstate. Billing and Collection revenues from this service are allocated to intrastate and interstate based on the actual message counts.

Invoice Billing occurs when AT&T, MCI, or Sprint capture recording information off their switches, rate the calls (including all appropriate taxes and discounts), and accumulate the billing information by month. The IXC then forwards to Pacific Bell the billing information that is to be included on the end user's. Pacific Bell charges for this service by bill page. Invoice billing is predominantly for the presubscribed customers of AT&T, MCI, and Sprint.

Billing information is forwarded to Pacific Bell monthly via electronic transmission. Upon receipt of the transmission, messages are counted as a control check that all messages (record of a completed phone call) transmitted by the IXC have been received by Pacific for inclusion in the bill. Messages are also identified as being intrastate or interstate. These message counts are not used for charging the IXC for the billing service; as previously mentioned, Invoice Ready billing is charged for by the page. However, the message counts are used to allocate the revenues from the billing service between intrastate and interstate jurisdictions. Thus, revenues are assigned based on actuals.

Revenues from both Message billing and Invoice billing are jurisdictionally separated based on message counts. We would not expect to see a significantly different jurisdictional split depending upon the type of billing because the same calling audience (California residents) is making the calls whether being billed through the Message or Invoice billing platforms.

Revenues appearing on the ARMIS 43-04 Report for Account 5270 include both intrastate and interstate revenues earned from interexchange carriers. These revenues do not include Pacific Bell's own toll revenues. However, message counts on the 43-04 do include counts of Pacific Bell's toll messages.

Since 1990, Pacific Bell has experienced a drop in message counts as reported in the ARMIS 43-04 Report. This experience is due to both "take back" of billing by IXC's who prefer to issue their own bills (e.g., major carriers who have chosen to bill business and high-usage residence users), and from shifts from Message billing wherein messages are counted to Invoice billing where messages are not counted for purposes of determining the allocated costs. Message counts reported in ARMIS are strictly from the Message platform.

FCC Staff have requested that Pacific Bell provide Invoice message counts (by intrastate and interstate) for each year 1990-1996. This information will be provided under separate cover. 1994-1996 data will be provided no later than July 9, 1997. The earlier years, 1990-1993, will be provided by July 25.

FCC Staff have also requested that Pacific Bell provide revenues for Message billing vs. Invoice billing, detailed by intrastate vs. interstate, for each year 1990-1996. This data will be provided under separate cover on the dates noted in the preceding paragraph.

Billing and Collection expenses are categorized by end user counts: exchange, message toll, private line, etc. Each Pacific Bell exchange end user is tallied as "exchange". Each end user receiving a toll charge from an IXC under either Message billing or Invoice billing, or from Pacific Bell toll service, is tallied as "message toll" for purposes of this categorization.

Billing and Collection processing expenses are similar for Message billing and Invoice billing except where, as described above, the billing platforms perform different functions, e.g., accumulation of billed messages in Message billing.